### KHIBI 1

NINTH EDITION



CASES AND COMMENTS

ROGER A. KERIN
ROBERT A. PETERSON

### CASE

### Vector Marketing Corporation

"CUTCO, The Worlds Finest Cutlery"

Michael J. Lancellot, chief executive officer of Vector Sales North America ("Vector"), glanced at his watch as he left the first staff meeting of the twenty-first century and mentally calculated whether he had time to call Erick Laine before his next appoint. ment. "Growth," he murmured to no one in particular as he waked into his office, "Chat's the fundamental challenge facing Vector in the foresceable future. How can we double our revenues in the next five years?"

The corporate long-range planning team was scheduled to meet in the next six weeks, and Lancellot was pressing to have a five-year marketing strategy ready to discuss at the meeting. He opened the "issues fie" that Jim Stitt, president of ALCAS Corporation ("ALCAS"), Vector's parent company, had compiled over the holidays and thought back to the conversation that the two of them had earlier in the day. Stitt had talked about three major issues that needed to be addressed before the marketing strategy could be — how much emphasis to place on international versus domestic marketing programs, whether to pursue the Internet as a marketing channel (and, if so, how), and what new products, if any, to add to the company's portfolio beyond the three garden tools scheduled for a June introduction. Of the three issues, if and how W pursue the Internet was deemed to be the most critical issue hy both executives, as well as the one that needed immediate attention. Lancellot picked up his telephone to call Erick Laine.

Erick J. Laine, chairman and chief executive officer of ALCAS Corporation, put down his telephone. rose Prom his desk, and turned to look out his office window. The office overlooked the employees parking lot, and he noticed a soft snow beginning to dust the vehicles. A smile spread across Laine's face as he recalled the year that had just ended ALCAS had again experienced record sales. Company sales had increased 5 percent over 1998, to \$130 million, employee profit-share bonuses were at peak levels for the fourth year in a row, and the company's 50th analysersary celebration the past summer had been a singular success.

Laine reflected with satisfaction on his recent telephone conversation with Michael Lancellot. Lancellot was correct, he thought. sales growth was the fundamental issue Facing the company But how?

It was the **beginning** of the millennium, and Laine was contemplating the future of ALCAS. What would the future **bring**, both for his company and the **country?**He recalled reading a newspaper article that said U.S. households grew at an average annual rate of 1.5 percent in the 1980s and .8 percent during the 1990s and were **expected** to grow at an average annual rate of 1.1 percent until 2010. What would the size of the market be for the **company** in the next five, 10 or wen 20 years? What would the com-

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position of the population be in the future and, more importantly, what would the company's market look like? What would the economy be like in the next fewyears? During the 1990s, consumer prices had been relatively stable, rising at an average annual rate of 3.0 percent per year (as compared with an average annual increase of 4.7 percent in the 1980s). Would this trend continue? These were certainly headache-causing questions, but Laine believed the answers held a wonderful future for the company

Laine returned to his desk and picked up the telephone to call his wife Marianne Perhaps, with the new snow, they could go cross-country skiing at their Cuba Lake home next Saturday.

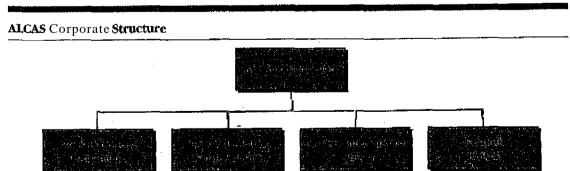
### ALCAS CORPORATION

Although ALCAS Corporation celebrated its **50th** anniversary in 1999, its roots **go** hack another half century. In **1902**, **ALCOA**, the Aluminum Company of America, created the WearBver subsidiary to market aluminum cookware using in-home (nonstore) demonstrations. In 1948, ALCOA and W. R. Case & Sons, then the country's leading cutlery manufacturer, formed a **joint** venture to manufacture high-quality **kitchen** cutlery that would **be** marketed through ALCOA's WearEver subsidiary. The joint venture was incorporated as Alcas Cutlery Corporation (AI for ALCOA and Cas for Case), and a manufacturing facility was established in Olean. a small city on the western **edge** of New York. In 1949 the first CUTCO cutlery was produced (CUI'CO was named for a company once owned by ALCOA, **Cooking UT**ensil COmpany).

Case sold its **49** percent interest in Alcas Cutlery Corporation to ALCOA in 1972. Ten years later, in September 1982, ALCOA sold *Alcas* Cutlery Corporation through a leveraged buyout **to** a management **team** led by Erick Laine, then the president of Alcas Cutlery Corporation. Since **1982**, Alcas Cutlery Corporation has been a privately held **company**. Company revenues **at** the time of the buyuut were **slightly** less than **\$5** million.

In 1990, Alcas Cutlery Corporation changed its name to ALCAS Corporation. After a series of reorganizations and acquisitions, ALCAS morphed into a "family" consisting of five interrelated companies. As shown in Exhibit 1, ALCAS is the parent holding company of CUTCO Cutlery Corporation, Vector Marketing North America, CUTCO International, and KA-BAR Knives, all of which are subsidiaries administratively headquartered in Olean, and all of which are profit centers. CUTCO Cutlery Corporation manufactures the cutlery that Vector Marketing North America markets in the United States (through Vector Marketing Corporation) and Canada (through

### EXHIBIT 1



Source: Company records.

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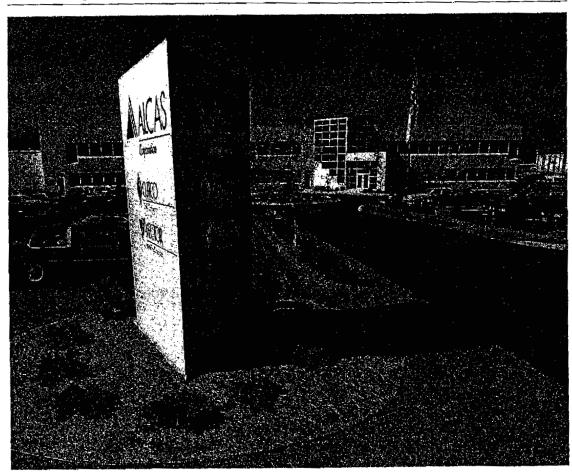
Vector **Marketing** Canada, Ltd.) and **that** CUTCO International markets in Australia, Costa **Rica**, **Germany**, **Korea**, **and Puerto Rico**.

KA-BAR Knives, a marketer of sport and utility knives established in 1898 under the name of Union Razor Company, was acquired by ALCAS in 1996 and is operated as a separate entity. KA-BAR knives are marketed domestically through independent sales representatives and internationally by in-house staff to direct marketers, wholesalers, and retailers. Cutco Cutlery Corporation manufactures 33 of the 63 KA-BAR knife products. The other 30 knife products are manufactured by a U.S. supplier and two suppliers located in Asia. Although KA-BAR knives range widely in price, the best-selling ones are priced between \$30 and \$50.

By the end of 1999, ALCAS (through CUTCO cutlery Corporation) was the largest manufacturer of high-quality kitchen cutlery and accessories in North America. The corporate vision was to 'become the largest, most respected and widely recognized cutlery company in the world."ALCAS had nearly 750 employees at its Olean headquarters. (See Exhibit 2 for a picture of the Olean headquarters.) Over time, it had eliminated nearly all outsourcing of product components to ensure that

### EXHIBIT 2

### **ALCAS Headquarters**



Source: Company records.

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EXHIBIT 3

	1995	19%	1997	<i>1998</i>	1999
Vector (direct sales)	\$67,761	\$ 83.786	\$ 94.075	\$102,102	\$106,733
vector (catalog)	5,773	7,521	8,167	9.386	10,662
CUTCO International	4,473	9,007	9,394	9,968	9.132
Misc. sales	2,106	1,575	1,869	2.290	3, <u>55</u> 4
Total	\$80,113	\$101,889	\$113,505	\$123.746	\$130,081

Source: Company records.

only the highest quality materials and craftsmanship would be used in manufacturing CUTCO cutlery products. Exhibit 3 presents the revenues obtained by the various ALCAS entities over the period 1995-1999.

### **CUTCO Product Line**

The first CUTCO cutlery was shipped by automobile from Olean to New Kensington, Pennsylvania, on April 29,1949. The order consisted of six knives, two forks, a spatula, and two storage hays. The original product line consisted of nine basic pieces, including a table knife and fork, a carving knife and fork, a butcher knife, and a spatula. Prom the first product made, CUTCO cutlery was designed to be the finest cutlery in the world.

Presently, the CUTCO product line consists of 10 basic pieces that can be purchased individually or assembled in Various sets ranging from a two-item gift pack to the Homemaker Set Plus Eight, which consists of the 10 basic pieces and eight table knives displayed in a wooden block. (Exhibit 4 on page 542 shows the Homemaker Set Plus Eight.) Retail prices in 1999 ranged from \$21 for a vegetable peeler to \$760 for the Homemaker Set Plus Eight. ALCAS also offers a complementary line of accessory kitchen products, including a potato masher, pizza cutter, professional spatula, cleaver, and various types of shears as well as pocket and hunting knives and garden pruner. In 1999, the company added a five-piece set of flatware (teaspoon, dinner fork, table knife, soup spoon, and salad fork). Although the total CUTCO product line consists of approximately 250 SKUs (stock-keeping units), nearly double the number of a decade ago, 20 cutlery items account for 60 percent of sales. During the last half of the decade, prices of CUTCO products have been increased by an avenge of 5 percent every other year (e.g., 1995, 1997), primarily to offset rising labor and material costs

In addition to being known for its outstanding quality, CUTCO cutlery is instantly recognizable because of Its exclusive and unique wedge-lock handle and Double-D® knife blade grind. (Every CUTCO product has a full lifetime ["forever"] guarantee that includes free factory sharpening. If any product Is found to be defective, it will be replaced at no cost to the customer,) First introduced in 1952, and improved considerably in 1972, the (universal) wedge-lock handle is ergonomically designed and scientifically contoured, creating a firm yet comfortable and safe grip by wedging the fingers apart across the handle while locking the thumb and fingers in place. Handles, which come in two colors, classic brown and pearl white, are made from a thermo-resin material that will not chip, crack fade, or absorb moisture.

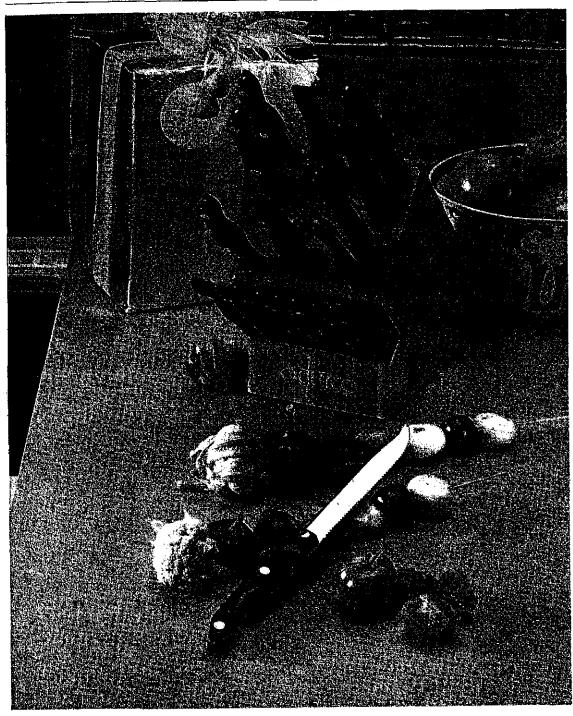
The Double-D® grind was added to certain knife blades in 1960. The grind consists of three razor-sharp edges angled and recessed in such a fashion that a blade can cut forward, backward, and straight down without the cutting edges becoming worn through contact with plates, cutting boards, or countertops. Unlike the typical

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### EXHIBIT 4

### Homemaker Set Plus Eight



Source: Company records.

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serrated knife blade, the Double-D' **knife** blade **docs** not rip or tear what **is** being cut **and can** be resharpened **(at** the factory).

### Marketing CUTCO Cutlery

CUTCO cutlery was marketed from 1949 through 1970 by a segment of the Wear-Ever sales force. In 1970, the CUTCO sales force was merged with the Wear-Ever cookware sales force, and the two product lines were marketed together for the next decade. In 1981, Wear-Ever decided to convert its sales force to a network of approximately 100 small, independent distributorships that would market the CUTCO product line. On January 1,1982, Alcas Cutlery Corporation assumed the responsibility for all CUTCO marketing activities.

During the next three years, several multistate independent distributorships evolved through mergers and buyouts. In 1985, Alcas Cutlery Corporation took steps to re-create a nationwide in-house CUTCO sales and marketing infrastructure. It did so by acquiring the largest independent distributorship, Vector Marketing Corporation, which operated in the eastern United States. Vector Marketing Corporation became a wholly owned subsidiary. Shortly thereafter, Alcas acquired a second independent distributorship, CWE Industries, which operated in the western part of the country. The acquisition of BrekMar Corporation, which operated in the Midwest, and two southern-based distributorships followed, all of which were merged into Vector Marketing Corporation.

**During** the 50th anniversary celebration, *Erick* Iaine reflected on the rime when Vector Marketing Corporation became a subsidiary:

The addition of Vector Marketing was thr most significant organizational move we made since we purchased Alcas from ALCOA in 1982. Acquiring an in-house CUTCO marketing capability gave us complete control over our major market. Now, for the first rime, CUTCO marketing decisions such as new office locations, expansion plans, rate of growth, and distribution methods were under the control of the coinpany.

International expansion began in 1990, when Vector Marketing Canada, Ltd., was established. By the end of 1999, Canadian saks accounted for about 6 percent of ALCAS corporate revenues. CUTCO Korea had begun as a subsidiary of ALCAS Corporation in 1992. For cultural reasons, the standard VECTOR marketing approach was not very successfulin Korea, but a change in the recruiting approach pmduced sales of nearly \$8 million in Korea in 1996. Weakened Asian economic conditions in 1997 and 1998 caused sales to decline, to \$2 million in 1998, but in 1999 they rebounded to \$5 million.

CUTCO International was created in 1994 to manage non-North American marketing efforts, and Korea was placed under its control that year. Australian and German sales organizations were established In 1996 under the direction of CUTCO International. The German operation was converted to an independently owned distributorship in 1999 because of accumulating losses. The Australian operation produced sales of about \$2.5 million in 1999, a Puerto Rico office was also established in 1996 under the direction of Vector, but in 1999 responsibility for it was transferred to CUTCO International. Sales offices opened in Costa Rica in mid-1997: by 1999, sales were about \$1 million. A yearend accounting review indicated that the CUTCO International operating margin was about 2.5 percent.

One of the distinguishing features of CUTCO cutlery is that it has always been marketed through direct selling. This feature, which can be viewed as both a distinctive competency and a potential weakness, sets ALCAS apart from its major competi-

 $<sup>^{\</sup>rm 1}$  All operating margins are disguised, although the relationships among them are representative.

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tors, J. A. Henckels Zwillingswerk Inc. ("Henckels"), Chicago Cutlery, and Wusthof-Trident. These competitors have traditionally used department stores and mass merchandisers to market their products. Of the major competitors, Henckels, a German company, is the largest, with U.S. retail sales recently exceeding those of Vector. Although the "street" price of Henckels cutlery is typically 25 percent less than its list price, Vector prices and Henckels prices are very similar for comparable items.

### ■ VECTOR MARKETING CORPORATION

Vector Marketing Corporation sales efforts are organized by geographic location. At the end of 1999, the United States consisted of four geographic sales regions (central, northeast, southern, and western), each headed by a vice president and a sales director. Within each region are eight or nine divisions, and within these divisions are a total of approximately 200 district or permanent offices and another 200 branch ("summer") offices that operate for about 17 weeks every summer. A district office typically has a population base of at least 200.000 people.

The people actually selling CUTCO cutlery are independent contractors who effectively operate their own business. As such, these sales representatives are paid a commission on the products they sell. Although they are eligible for demonstration-based compensation, sales representatives usually move to a full commission compensation system that can exceed demonstration-based compensation. None of the sales representatives receive a salary from the company.

For the most part, sales representatives are college students who sell CUTCO cutlery during their school vacations. Fifty-five percent of the sale representatives are males. Each summer, thousands of college students are recruited to sell CUTCO products through a variety of methods that includes newspaper advertisements, direct mailings, the Internet, and on-campus recruiting. The most successful sales representatives earn more than \$10,000 for a summer of selling; the average commission of the top 500 sales representatives in a typical summer is in excess of\$5,500. The average commission for sales representatives working for an entire summer is \$2,200. As a consequence of the 'summer selling season," a majority of Vector's sales occurs between May and August each year. Vector is effectively an organization structured to facilitate the recruiting training, and not ivating of college students to sell CUTCO products.

Sales are made through in-home presentations that involve illustrations of the superiority of CUTCO cutlery through actual applications as well as rope-cutting demonstrations and the like. These presentations are prearranged through referrals and appointments; they are thought to be a key to company success. As Marty Domitrovich, vice president of the Central Region, frequently says:

Selling yourself is paramount In any sales situation. I firmly believe that people buy from individuals they like, and there is no better way to make a solid impression than face to face. There is no substitute for the personal touch that comes from sitting across from someone in his or her home and allowing them to actually try your product. Personal, professional demonstrations sell CUTCO cutlery. Period.

Often, the first sale is made to a sales representative's parents, relatives, or neighbors. Interestingly enough, about one out of six so is made each year to previous purchasers of CUTCO cutlery. Because CUTCO products tend to "sell themselves" after people have seen a live demonstration, there is relatively little need for a "hard sell" on the part of the sales representatives. Training emphasizes appointment setting, demonstrations, dosing the sale, and referrals. There is no "cold calling" or door-to-door selling.

Sales representatives typically meet with their Vector managers on Monday evenings to discuss the prior week's activities and plan the current weeks activities.

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During these meetings, the sales representatives turn in their sales orders and the money collected. The sales managers express mail the orders and money to Olean, where orders are filled.

In 1999, Vector filled approximately 509,000 separate orders in the United States alone, with each order effectively representing one direct sales customer. Products are shipped directly to customers within three weeks during the summer selling season and within two weeks at other times. Both UPS and the U.S. Postal Service are used to deliver products. The operating margin of Vector in 1999 on direct sales was approximately 10.5 percent.<sup>2</sup>

To increase corporate revenues and motivate sale representatives, Vector employs a variety of promotional activities, events, and competitions. Not only are the sales representatives rewarded directly for the sales they make, they are also eligible to receive trophies, bonuses, trips, and even scholarships for achieving certain sales Levels. Particularly successful sales representatives have an additional opportunity to establish and manage one of the branch offices. Managing a branch office requires a dedicated and active program of training throughout the school year.

The particular direct selling model that Vector uses differs from the direct selling models used by virtually all other direct selling firms. Only one other direct selling company uses college students as its primary sales force. The Southwestem Company in Nashville, Tennessee, uses college students to sell a variety of books and related educational material during summer vacations. However, the selling models of the two companies are very different. Vector trains sales representatives io small groups at each of its district or branch offices, whereas The Southwestern Company conducts centralized training programs in Nashville in which hundreds of sales representatives are trained simultaneously. Moreover, whereas Vector sales representatives use a referral system lor sales leads, The Southwestern Company sales representatives focus on door-todoor sales presentations. Finally, whereas Vector sales representatives typically sell in their home cities, The Southwestern Company's sales representatives typically sell in their home cities, The Southwestern Company's sales representatives typically are assigned to a city away from their home.

### Vector Catalog Sales

Because 90 percent of the sales representatives sell for only one summer, the customers that they create sometimes lose contact with CUTCO products and Vector. To maintain a continuing relationship with and service these customers, Vector mailed a flyer containing a few pmduct specials to a sample of customers in 1985. This flyer was expanded to a 24-page catalog in 1988. Presently, as many as four 32-page catalogs are mailed to 2.8 million CUTCO customers in the fall and then to about 400,000 previous catalog buyers in the spring. Mailings are carefully timed (September to December and March to May) to prevent conflicts with the summer selling season. In 1999, catalog mailings generated about 97,000 orders, with a corresponding operating margin of 15 percent.' If the customer of a current Vector sales representative makes a catalog purchase, the representative and the representative's manager receive a commission (although the commissions are less than if the representative initiated the sale). If the sales representative is no longer actively selling for Vector, only the representative's manager receives a commission.

### The Vector Customer

At the 50th anniversary celebration, Vector management estimated that about 9 million customers have purchased CUTCO cutlery at one time or another. Since 1989,

<sup>&</sup>lt;sup>2</sup> All operating margins are disguised, although the relationships among them are representative.

<sup>&</sup>lt;sup>3</sup> All operating margins are disguised, although the relationships among them are representative.

when Vector began systematically capturing and recording customers' names and addresses, more than 4.4 million customers have been added to the company's database. The "typical" Vector customer is a married homeowner with one or more older children. The typical customer is relatively affluent and holds a managerial or professional employment position. The annual income of a typical customer is more than \$50,000; in certain geographic areas, the typical customer's annual income is in excess of \$100,000. Most Vector customers have at least a bachelor's degree. Sixty percent are between 40 and 59 years of age. There is no discernible difference between Vector's direct sales customers and customers who purchase from its catalogs. The typical customer enjoys reading, traveling, cooking, and gardening.

### ■ A NOTE ON DIRECT SELLING

Direct selling is face-to-face selling away from a fixed business location. Thus, it is a form of nonstore retailing. The direct-selling industry consists of numerous well-known firms such as Amway, Avon, Mary Kay Cosmetics, and Tupperware. At the same time, however, the industry itself is relatively unknown, principally because it is "invisible." By definition, there are no physical stores, and because direct selling is essentially a push marketing strategy, direct-selling firms do little advertising. Hence, then is little public awareness of most direct-selling firms. In addition, the majority of direct-selling firms are small, privately owned firms Created and operated by entrepreneurs, many of whom often want a low public proffle.

According to the Direct Selling Association, the direct-selling industry trade association, industry sales in the United States were slightly more than \$23 billion in 1998. This figure reflects an average annual growth rate of 8.7 percent during the 1990s. (Globally, direct sales were estimated to be about \$82 billion, with Japan accounting for slightly more than \$28 billion.)

Virtually all direct sellers (99%+) are independent contractors. Of the estimated 9.7 million direct sellers in the United States in 1998 (up from 5.1 million in 1991), 73 percent are women. Only 10 percent of direct sellers work full time in direct selling, and one source estimated that nearly half earned less than \$500 annually. A survey of direct sellers conducted for the Direct Selling Association in 1997 revealed that a substantial number work only to earn money for a particular purchase (e.g., a vacation), work only because they like and use a product or service themselves, or work only because they enjoy the social aspect of direct selling.

Seventy percent of direct selling takes place in a residence. Nearly three-quarters (72 percent) takes place on a one-to-one basis. The other major form of direct selling is the "party plan' Party plan selling represents a combination of group selling and entertainment. The Tupperware party in which six tu eight housewives & ettogether at the home of a hostess is the quintessential example of party plan selling.

The most popular form of one-to-one direct selling is network or multilevel marketing. About 81 percent of all independent contractors selling one-to-one do so through a multilevel marketing program. Direct sellers in a multilevel marketing program are not only rewarded for the sales that they personally make but also rewarded for the sales of individuals they recruit and the sales of people in turn recruited by the individuals they recruited (i.e., their "downline" in multilevel marketing terms, hence the notion of multi or many levels).

### The Typical Direct-Selling Customer

Of the products and services marketed through direct selling, personal care and home-related products and services are among the most popular. Cosmetics, vita-

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mins and dietary supplements, kitchenware, long-distance telephone services, and cleaning products are currently among the best-selling products and services At the direct-selling industry. Even so, virtually any product or service Seems to be amenable to this mode of marketing (in Japan, a large percentage of new automobiles are sold door-to-door).

Although estimates differ, a majority of the households in the United States have at one time or another purchased a product or service from a direct seller. This suggests that the typical direct-selling customer should have characteristics similar to people in general, or at least people who shop retail stores. More specifically, direct-selling customers tend to he affluent females 35 to 54 years of age. Relative to the overall population in the United States, the typical direct-selling customer has somewhat more education and a larger household income.

### **■ THE INTERNET ISSUE**

For more than three years, Michael Lancellot and the other executives at Vector and ALCAS had been grappling with the issue of what role the Internet should play, if any, in Vector's marketing. During that time period, access to the Internet, and especially the World Wide Web ("Web"), had literally exploded. Although estimates vary dramatically, there is general agreement that a plurality of households in the United States currently has Web access and e-mail addresses. Initially, Web access was limited to academics and "technogecks," but with each passing day the types of people accessing it are becoming mare similar to the general population. By the end of 1999, the modal Web user in the United States was a male 35 to 54 years of age with an average income in excess of \$50,000. Neariy all college students have access to the Web and an e-mail address, whether through their school or personally.

Although only a small percentage of the consumers currently accessing the Web actually purchase anything, the number of consumers shopping on the Web is predicted to increase exponentially in the next few years. Books, computer software and hardware, music, and travel seem to be the product and service categories from which consumers are most likely to make a purchase on the Web. Cutlery products can be found on the Web in a variety of sites. For example, Wusthof-Trident cutlery is marketed on sites such as Plum's Cooking Co., whereas Henckels cutlery is marketed on sites such as Knife Outlet. Interestingly, the price of Henckels cutlery on the Knife Outlet Web site is about 30 percent less than its retail or list price. In late 1999, such stalwart retailers as the Gap, Neiman Marcus, Wal-Mart, and Ethan Allen established Web sites and launched aggressive e-conumerce campaigns.

### **Direct Selling Web Sites**

Although the majority of direct-selling firms have Web sites, most are limited to providing customer service and contact information. During 1999, several large direct-selling firms experimented with marketing their products and services on the Web. Fur example, Avon, which claims to be the largest direct seller of cosmetics and personal care products, began marketing some of its puducts through several Internet retailers as well as on its own Web site. Tupperware, which markets storage containers, kitchen aids, educational materials, and toys, launched an extensive Web site to market its products, facilitate party planning by its distributors, recruit new distributors, and provide distributor locations for customers. The company attempted to creare the feel of a magazine by incorporating a recipe database and recipe exchange mechanism, an information forum, and so forth on its Web site.

The second secon

Amway, the largest direct seller of household, personal care, nutritional, and ancillary products, took a slightly different approach to Internet marketing. It established a new company and the independent Web site Quixtar ("Quick-Star"), through which it intends to sell not only its own products but those of many other firms as well. Additionally, the Quixtar Web site offerslinks to "partner stores" on the Web and a mechanism for Amway and Quixtar independent contractors to do business through the site rather than on a face-to-face basis. Thus, Amway independent contractors who subscribe to Quixtar will be able to use the Web site for recruiting and can obtain commissions fremsales made through the site. Unfortunately, because many of the direct sellers' Web sites were launched Late in 1999, no information was yet available to the Vector and ALCAS management teams that would allow an assessment of how successful the Web sites were.

### **Vector Internet Activity**

For more than two years, Vector has operated a customer-oriented Web site (www.cutco.com) focusing on customer service and product information. Although Vector customer service representatives have had a number of requests from consumers wishing to order CUTCO producrs on-line, up to this point these consumers have been advised that they could order only from a sales representative. However, as Michael Lancellot has consistently maintained

We have a very important responsibility to make sure that we are meeting the needs of our customers. With a 50-year reputation of pmduct quality and service, it is imperative that Vector meet customer expectations. One of those expectations is the ability to order CUTCO pmducts on-line. However, while it is important that we meet the expectations of our customers, it is critically important to also protect the interests of our field sales organization.

For the last year, Vector personnel, including Brett Trent, Vector's Internet manager, have been working on a strategy to use the Internet as a vehicle to recruit college students to be sales representatives. Two different Web sites (www.workforstudents.com and www.earnparttime.com) are currently being used. To date, the number of applications received on-line has been very encouraging. As one aspect of this recruiting strategy, Vector established a special Web site to provide recently interviewed recruits and their parents with information on the company and the sales program, including the commission structure. To date, the Internet recruiting strategy appears to be reasonably successful, and plans are to expand company efforts in the coming years.

### **KA-BAR** Web Site

In September 1999, KA-BAR launched a modest Web site (www.ka-bar.com). The Web site was intended to increase product awareness, provide dealer support, facilitate communication with customers and various constituencies, and sell knives. The development cost of the Web site was \$19,000, and initial set-up costs totaled \$1,000 excluding hardware costs. Ongoing development and service costs are estimated at \$1,000 per month. Although sales started slowly, and most sales appeared to be to business intermediaries rather than to end users, by the end of 1999KA-BAR management felt optimistic that the Web site would eventually generate considerable revenue (despite the fact that KA-BAR knives were simultaneously being sold on the Web sites es everal of its customers).

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### **The Meeting**

Because of the Importance of the Internet marketing issue, a joint meeting of the Vector and ALCAS top management teams was called. Michael Lancellot opened the meeting hy reminding the executives attending of the importance of meeting Customer expectations. He also reiterated his belief that any Internet activity must be complementary to—and must strengthen—the Vector sales force.

Jim Stitt immediately seconded Lancellot's belief. "As a case in point:' he interjected, "I had a call this morning from one of Vector's field managers who had heard that Creed (Creed Terry, Vector vice president of marketing) was proposing some son of Internet selling test. The manager's recommendation was that we put our Net activities on hold until we see how this whole thing shakes out or we create a Web site for only the internal arena."

JohnWhelpley, executive vice president and chief administrative officer of Vector, then reported the *results of a financial analysis* that his staff had undertaken. Whelpley estimated that the cost to **hunch** a state-of-the-artWeb site would range from \$200,000, if constructed by Brett Trent's staff, to \$500,000 if contracted out. Part of the difference in cost, he said, was that a Web site would take 15 to 18 months if done internally hut only 6 to 8 months if contracted out. Whelpley continued:

We also estimate that the overhead of a Web site technical support group would run about \$250,000 per year and that there would be major changes in the Vector service organization. Not only would we need reps available 24 x 7, we would need a new training program and perhaps even a new business philosophy. Although fulfillment costs would be similar to those experienced with catalog options, I don't know what we would do if an order came in from SouthAfrica or Brazil.

He concluded his presentation by posing the question: "What revenue can we expect fmm a Web site, and what revenue do we need for it to be commercially viable?

Creed Terry was the next to **speak**, pressing the need to determine what direction to take:

It is clear, at least to me, that the Internet could impact our business in many positive ways. What we have to determine is how best to integrate Internet strategies with our strong direct selling capabilities to realize the revenue potential of the market while maximizing the full carning opportunities available to our managers and sales representatives. The issue seems to he whether we undertake an all-out, aggressive selling approach on the Web or whether we focus only on penetrating our existing customer base.

"Well," said Erick Laine, "we certainly do not want to do anything with the Internet that would harm our direct sales operation." He continued

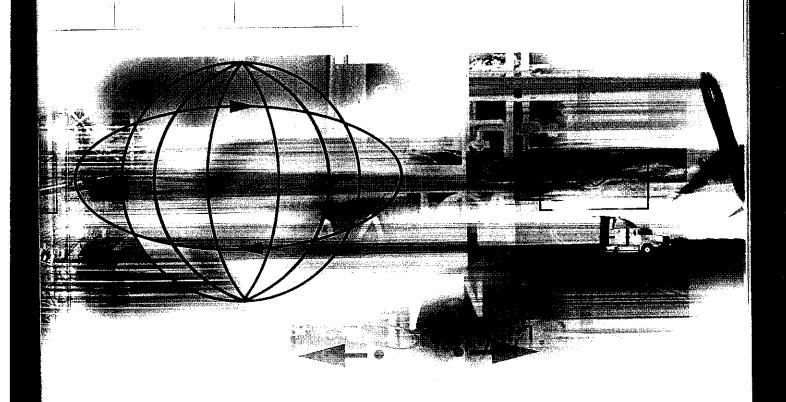
We know that selling CUTCO products requires a personal demonstration and the hands-on opportunity to "try to test drive" that only our field sales organization can provide. I can't imagine that the Internet—or anything else, for that matter—could even come dose to bringing in the half million-plus new customers that the sales organization is capable of doing.

However, the Internet is already here—in a big way—whether we want it or not. It could give us a way to service our existing customers even better than our catalog has done over the past several years, and hopefully just as painlessly. So . . . let's take a systematic look at our options with and through our vice presidents of sales and see if we can at least agree an a general strategy.

fourth edition

### International Marketing and Export Management

Gerald Albaum, Jesper Strandskov and Edwin Duerr





### Alcas Corporation

Alcas Corporation is a company based in Olean, New York, which has manufactured and marketed CUTCO Cutlery, a very high quality kitchen cutlery, since its formation in 1949. Alcas was originally a subsidiary of ALCOA, but in 1982 four officers did a management buyout and it is now privately held. Alcas exists essentially as a holding company. Its two major operating subsidiaries (wholly owned) are CUTCO Cutlery Corporation, the manufacturer of CUTCO Cutlery, and Vector Marketing Corporation, the direct sales marketer of CUTCO for all of North America. In 1994 the company established CUTCO International, Inc. as a subsidiary to handle the marketing of CUTCO on an international basis. As shown in Table 6.2, Alcas Corporation, for the past six years particularly, has had strong and consistent growth. Since 1995 the average annual growth in total sales has been 15.5%. International sales have not been a major component of that growth and particularly over the past four years have been relatively stagnant. Total sales for 2001 are projected to be over US\$180 million. The company has a very strong balance sheet with a very low debt-to-equity ratio and a significant cash reserve.

Table 62 Alcas Corporation sales history, 1990-2000

Year	Total consolidated	Total international
	Sales	Sales :
	(US\$1,000s)	
1990	59,197	0
1991	64,449	0
1992	12.228	1,055
1993	70.435	1,407
1994	66,275	1,961
1995	80.113	4,473
1996	101,889	9.007
1997	113,501	9,394
1998	123,746	9,966
1999	130,420	9,569
2000	152,946	10,160

### The product

As a product line CUTCO Cutlery covets a broad range of food preparation knives, table knives, flatware, kitchen gadgets and hunting, fishing and utility pocket knives (approximately 83 individual items; 180 SKUs counting gift packs and set combinations). The product line is identified as 'CUTCO the world's finest cutlery' and testing against competitors' products worldwide consistently supports that claim. Product retail pricing is consistent with its identification as 'the world's finest cutlery'; that is, it is at the high end of the price spectrum. The pricing is very comparable with the pricing of Henckels and Wustof knives, both of which are at the high end of the price range for cutlery products available in conventional retail stores. Product is sold as individual open stock or in a variety of gift boxed sets as well as a variety of wood block sets for the countertop.

### Sales and marketing approach in the **United States and Canada**

CUTCO is sold by Vector Marketing Corporation through a 'one-on-one' in-home demonstration technique utilizing a sales force made up primarily of college students. Vector annually recruits tens of thousands of sales people, over 90% of them college students. The bulk of the sales force is recruited during the summer vacation months. Some of the students continue to sell during the school year and the business definitely exists as a year-round business (with September-April volume below the summer peak). The recruiting, training and ongoing counseling of sales people (all of whom are independent contractors) are done via a decentralized approach approximately 220 district managers located in communities across the United States and Canada. During the summer months the company opens up more than 225 additional branch offices that are temporary summer offices run by college students with prior selling and management experience from previous summers. In 1990 the company set up Vector Canada as a separate 'international' marketing entity. It has been successful (projected

continued

2001 sales are US\$8.5 million). It has been generally patterned after the US operations, and although it still exists as a separate corporate entity, its operation is managed by Vector US and the two are identified as Vector North America.

### **Current international sales activity**

In 1992 the company established a Korean marketing operation, CUTCO Korea. Like the Canadian operation, it was ser up using US-trained Vector managers and patterned after the US recruiting, training, and selling approach, but with managers being Korean born. The decision to enter Korea was in fact made because of the availability of US-trained Korean-born managers.

Whereas in Canada the transfer of US managers and US approaches took hold immediately and very effectively, the experience in Korea was one of only marginal success with this program. Due to heavy cultural differences regarding students, they needed to alter the approach in some fashion. CUTCO Korean management in 1995 instituted a revised structure utilizing Korean housewives as the recruiting base, and engaged a party-plan type group sales demonstration mechanism as a sales approach. This approach was immediately successful, with sales in 1996 reaching US\$6 million. The Asian financial crisis in 1997 and 1998 took sales down below US\$2 million in 1998 and CUTCO International came close to closing the Korean operation. A last-minute decision in November 1998 to 'hang in there' was the right one, as results for 2000 have returned sales to US\$6.5 million and generated a profit for the first time. The future for Korea now looks bright, but the Korean experience has also been sobering in that the cost of entry has been far greater than expecred (total costs to date, including operating losses for the years 1992-9 amounted to US\$5

In the spring of 1996 CUTCO International opened a sales operation in Germany (CUTCO Deutschland) with the sales program patterned generally after the Korean housewife/party plan program, which was then showing considerable success. The German operation initially showed every sign of being successful, but by 19YY CUTCO

International had to make the decision *to* close it down as a company program. The reason for this was that although growing in sales volume, it was not growing fast enough to cover the total expenses of operating a company program in Germany. The sales operations in place at that point were converted to a distributorship which has since worked out very comfortably. The distributorshin continues to grow slowly, but since there is no 'company program overhead' to carry, they are able to be profitable and the company benefits from the wholesale sales that are generated.

In the fall of 1996 CUTCO International opened a sales operation in Australia (CUTCO Australia) with five US Vector sales managers. It was patterned after the US Vector College Program. The presumption was that the Australian culture was close enough to that of US culture for the program to work in Australia (just as it did in Canada). The first two years seemed to bear that out totally; in 1998 Australian sales were almost as high as Canadian sales. Then, in 1999 CUTCO International found that although it was advertising for recruits in the same fashion as in the United States, Australian regulations in that regard were severe and imposed significant particularly constraints covering the way recruiting advertising could be placed. These constraints resulted in a serious drop in recruiting volume and this in turn developed a chain of management problems. All of this brought about a downward spiral in sales and the year 2000 wound up at a level less than US\$2 million in sales and caused CUTCO International to consider closing in Australia. In an early February 2001 visit to Australian headquarters by top company personnel, a decision was made to do some restructuring of the organization and 'give it another six months'. It remains to be seen whether or not CUTCO Australia will be able to pull out of its problems.

In 1997 CUTCO International opened up a company operation in Costa Rica (CUTCO Costa Rica). Although Costa Rica is a very small country in terms of population (3 million), CUTCO International chose Costa Rica as its Latin American entry. The choice seemed appropriate, given the political and financial stability of Costa Rica, its

continued

CASE STUDY 6.2

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strong culture and high levels of literacy among its population. CUTCO chose the US college program as the vehicle for entry and made this choice on the strength of the highly successful College Program CUTCO had run in Puerto Rico for the prior three years. The presumption was that CUTCO managers from Puerto Rico could be utilized to start up and then help grow the Costa Rican operation. The Puerto Rico/Costa Rica connection did not seem to work out because there appeared to be significant though subtle cultural differences between the two peoples. For this and other reasons, growth in Costa Rica has been very slow and the future of CUTCO Costa Rica remains uncertain.

The questions being asked by the corporation's board of directors and top management as it conducts its five-year strategic planning activity in 2001 are as follows:

- Should the corporation continue to seek CUTCO sales in international markets?
- What criteria should the corporation use to select countries to target for entry?

- What type of market research will be required to make the selections intelligently?
- What type of country law, regulations, custom issues, etc. should he considered in making country choice decisions?
- What are the target countries, and what priorities and schedule should be developed for entry into each?
- Should it continue to use direct selling as its fundamental approach to these markets? If so, which specific direct sales approach should it use - the Vector US College Program or housewife group sales program? Or both? If not, what approach should be used?
- Are there any other concepts that should he considered for CUTCO International to expand its program internationally on a more costeffective basis?

### Question:

1. How should the Alcas Corporation answer these questions in its five-year strategic plan?

### Yang Toyland Pte, limited

(This case study was written by Hellmut Schütte, Euro-Asia Centre, INSEAD.)

For Y.C. Yang the year was practically over at the end of August. He was heading Yang Toyland Pte. Limited, a small, family-owned toy manufacturer, which he ran together with his older sister and his younger brother in Singapore.

'This year's turnover will reach about \$\$14 million - an increase of about 20% over the preceding year,' he thought to himself, 'and profit will also be rood - oerhaos even reachine \$\$600,000.

He did not expect any more major orders to come in. His customers from the United States and Europe had placed their orders, quite a substantial part of which had already been carried out and even shipped to arrive at their destinations in time for Christmas. There would be one or two additional

orders within the next weeks, but after that his company would he able to turn its attention again to finding and developing ideas for new products.

### Development of the firm

When his father died 13 years ago, the company had only 8 people and had just launched its first toy car with an electric, battery-driven motor. The chassis and body were made of plastic with some metal used for parts such as axles, fixtures, tire caps, and so on. At that time Yana Toyland's turnover was below half a million dollars, and its profitability was very low. Y.C. and his younger brother had had difficulties convincing their father to add the motor to one of their existing models that they had produced for many years but which had become unattractive. He had finally given in when he saw that competitors were selling battery-driven cars like hot cakes while Yang Toyland's products were not moving.

continued

# EXHIBIT 2

### uccess &

(From Former Vector Representatives)



Yoon S. Cannon. **Executive Director** 

"The whole Vector experience has made a huge difference in who 1 am." said Yoon Cannon, founder and executive director of the Pennsylvania Performing Arts Academy. She said she went from being non-assertive to being able to really communicate with people.

Yoon began selling Cuico in the summer of her freshman year when she got a letter in the mail that said you could make pretty good money selling knives. "I was a poor college student: so I thought. sure I'll check it out," said Yoon, who at the time was majoring in dance, music and drama at Syracuse University.

Even though it was the money that caught her eye, the experience is what became priceless.

Yoon's advice to new reps is, "Don't get hung up on immediate paycheck results." She tells of hearing reps at Vector conferences stating that they made \$10.000, but that they would trade all the money for the experience and how it changed them. She looks back now and shares that feeling.

"The Vector experience gave me such an edge – it's made all the difference," said Yoon about how Vector has helped her establish arid run her own business.

Yoon remains shocked by the lack of knowledge and understanding of other business owners out in the real world.

gave me such an edge - it's made all the difference."

"In fact. right now I am on my way to lunch to meet a woman who has "The Vector experience been running a school for 25 years and she wants to pick my brain. I'm in my fifth year with my school working 10 - 20 hours a week, which is nice because I have two kids. I'm earning as much as most of these studio owners who have been in the business over 20 years and are still working 60-80 hours a week."

> Yoon believes that her own results would be astoundingly different without Vector experience.

"I was getting training in weekly Vector meetings that people who have been in corporations for years never get. I still have my spiral-bound Vector notebook from 1990 and I still read it periodically. I have a faculty of 24 teachers and I stili find I'm sharing my Vector experience with my staff. And when I was looking for a managing director I kept thinking I wish they had Vector experience. Vector teaches you about personal growth and discipline, sales and business, and people skills."

And now Yoon realizes that being involved with Vector has come full circle in her life.

"I used to wonder what I was doing in sales when all my life I had seen myself in the performing arts. Bui now (that she has her own performing arts studio) it all makes sense."

If you know a former Vector. Representative who has gone on to great success and has a story to tell please e-mail Ronni Gronemeier, Cutco Public Relations Assistant, in Olean - raronemeier@cutco.com



## VECTOT SKILLS FOSILITES Success Stories (From Former Vector Representatives)

### **Michael Morley**

A lot has happened since Michael Morley. a manager of real estate with Intellispace, responded to a Vector flyer he saw at Albright College in Reading. PA when lie was 19. Michael is Byears-old and **is** ahead of the game because of his Vector experience.

"I learned two things with Vector that I still use every day – the objection cycle and lead generation, which in business development is key" "I have the confidence to manage and work with people twice my age," he said. "When I graduated and interviewed I had the experience of someone who was five years ahead of me – I had run an office. trained and managed a team of 30. and developed advertising campaigns."

Michael added that he learned several main business skills from Vector that he still relies on.

"I learned two things with Vector that I still use every day – the objection cycle, which teaches you ways to handle and respond to people's objections, and lead generation, which in business development is key. And I learned it at a very young age," he explained.

Michael added that having solid experience to put on a resume was another benefit of his Vector experience.

"The first summer as a sales rep I was in it for the money," Michael admitted. "But my second summer. as an assistant manager, and my third summer. as a branch manager, I was after the resume experience."

And, would seeing Vector experience on a resume sway Michael today?

"Absolutely," he said. "Especially if they were in management. I would know that they have a good work ethic, understand the business world, and were motivated arid positive. If I have a son or daughter I hope they can get this experience at such a young age."

"I owe a lot of my experience to what I learned with Vector," Michael proclaimed. "You'll never find another company like Vector or boss like a Vector boss who will put so much time and effort into seeing that you succeed. Most companies figure if you don't do well they'll just find someone else."

And, on top of that, he said. "It's the only position at that age where whatever you put into it you get out of it."

If you know a former Vector Representative who has gone on to great success and has a story to tell please e-mail Ronni Gronemeter, Cutco Public Relations Assistant, in Olean - reronemeter@cutco.com



## Success Stories (From Former Vector Representatives)



Kevin Kerata Sales Trainer, Diebold, Inc.

"Because of Vector, I have confidence in any situation – social or business. I also learned how to manage my time and money."

If you know a former Vector
Representative who has gone on to
great success and has a story to tell
please e-mail Ronni Gronemeler,
Cutco Public Relations Assistant, in
Olean - rgronemeler@cutco.com

"I love my job and I wouldn't have had any chance to get it without Vector experience – especially at my age," says Kevin Kerata, a 2F year-old sales trainer for Diebold, Inc. Currently Kevin works with a team developing advanced courses for Diebold's sales force of 350, and (ravels the U.S. teaching these courses.

It all started when Kevin was a sophomore at the University of Akron and a friend was doing very well selling Cutco. He applied for the job because of the income potential, but during his four years with Vector the money became secondary Io what the job really offered him.

"As a sales rep. I learned how to really communicate with people and how to listen," Kevin remarks. "Because of Vector. I have confidence in any situation – social or business. I also learned how to manage my time and money. Most importantly. I learned how to face difficult situations and how to stay positive when facing a negative challenge."

Kevin was the winner of many sales contests. including Toppers Club, and greatly enjoyed the competitive aspect of being a Vector sales representative. But he says that the best summer of his life was in 1997, when he opened a branch office for Vector in Mansfield. Ohio.

"I was 21-years-old without a college degree, and Vector gave me the chance to do something no one else my age was doing. I started with nothing, and trained a team of 54 representatives. It was the scariest thing I've ever done, I never worked harder in my life, but I've also never had more fun!"

After running a branch office, Kevin worked as a Pilot Sales Manager in the Columbus office before returning to school in the fall of 1998. He says that after working as a manager, he realized that he wanted to teach and motivate people. He adds that the experience he gained is what made him a top candidate for his current position as a sales trainer.

His advice for new representatives is to listen to those who are more experienced. "New representatives often think they already know what they're doing or they take advice from other new representatives," lie says. "They will be much more successful if they try to learn as much as they can from their manager and key-staff, like I did."

Kevin says if he were hiring someone. having Vector experience on his or her resume would be a big help. "I know that if someone works with Vector for a whole summer, they are self-motivated and aren't afraid to work hard or try something new."





### PROFESSIONAL SALES INSTITUTE

Advancing the Profession through Education, Research, and Outreach

July 16, 2002

Michael Muriel
Division Manager
Chicago Division
Vector Marketing
9031 W. 151<sup>st</sup>; Suite 102
Orland Park, IL 60462

### Dear Mike:

We have just completed a review of course evaluations and outcomes for this past academic year. Iwanted to share with you some of the discussion and evaluation relevant to the CutcoNector Selling Practicum that provides the core learning experience in our senior level MKT 339 Advanced Professional Selling class.

As you are well aware, the design of this course incorporates real-life-selling experiences with in-depth study of interpersonal communication, ethical leadership, and selling theory. This challenging, non-traditional learning format has proven itself in terms of our students' accomplishments in class and in their careers as well as achieving industry recognition of the Illinois State University selling program as one of the top four in North America.

Mike, we want to take this opportunity to formally thank you and the other members of the CutcoNector family for your active participation and meaningful contributions to our academic program. Prior to allowing any commercial organization to be associated with or become a part of a for-credit course, we conduct a thorough duediligence investigation of that company, its people, its products, its policies and procedures, and even reputation. CutcoNector cleared this initial examination with flying colors, and now—in our second year of this learning partnership—our appreciation for your entire organization and the support that it provides to both employees and customers continues to grow.

In an era that seems to question the honesty and ethical values of business enterprise, it is quite rewarding to have an upstanding company such as CutcoNector as a partner in education. Your products and service continue to prove themselves as world-class in quality, but even more important is the honesty and enthusiasm that pervades the organization at all levels. With headlines extolling a seeming void of honesty and ethical values across corporate America, the CutcoNector program offers even greater benefits to students as they get to work within and experience a global organization that holds to and teaches high values and ethical standards as its everyday business philosophy.

Students enrolled in this advanced course certainly see the CutcoNector experience as a challenge. However they also realize the many benefits achieved through the completion of the course activities and the lectures and discussions on selling skills and leadership personally led by you. Mike, we realize the contributions you and CutcoNector make to our sales and marketing classes extend beyond your normal responsibilities and workload. Hopefully, the following quotes taken from students' course evaluation forms provide some indication as to the value contributed to our classes.

'This is the way classes ought to be taught! Students, a professor, and an industry executive all working together to research and talk about current topics directly related to marketing and personal selling performance. I achieved things that I never thought I could do and it really helped me decide what I want to do as a job when I graduate."

"I heard that this would be a WOW class and it was. Any student thinking about sales should take this class. Reading about management and marketing in textbooks is one thing but actually getting outside the classroom and doing it is totally different. You better be committed to study and work hard if you take this class but it's all worth it."

'Having an industry executive like Mike Mune! work with you all semester really changes the focus of the class and brings the real business world into the classroom. Having sales quotas to meet every few weeks was real freaky at the beginning but its all doable and the team of instructors are committed to helping you succeed. Is the real woold really like this?"

"Hands down the most valuable class I had at ISU. Realizing we were required to prospect and sell the Cutco knives as a part of our grade was a little stressful. However, the training and personal attention given to us in the class made selling the product easy and also gave me self confidence that I never had before. Mike Muriel's lectures on leadership were especially interesting"

Thanks for the opportunities you provide to students—both in and out of formal classes. We are excited about working with you and the CutcoNector organization this coming spring semester.

Respectfully

Michael R. Williams, Ph.D.

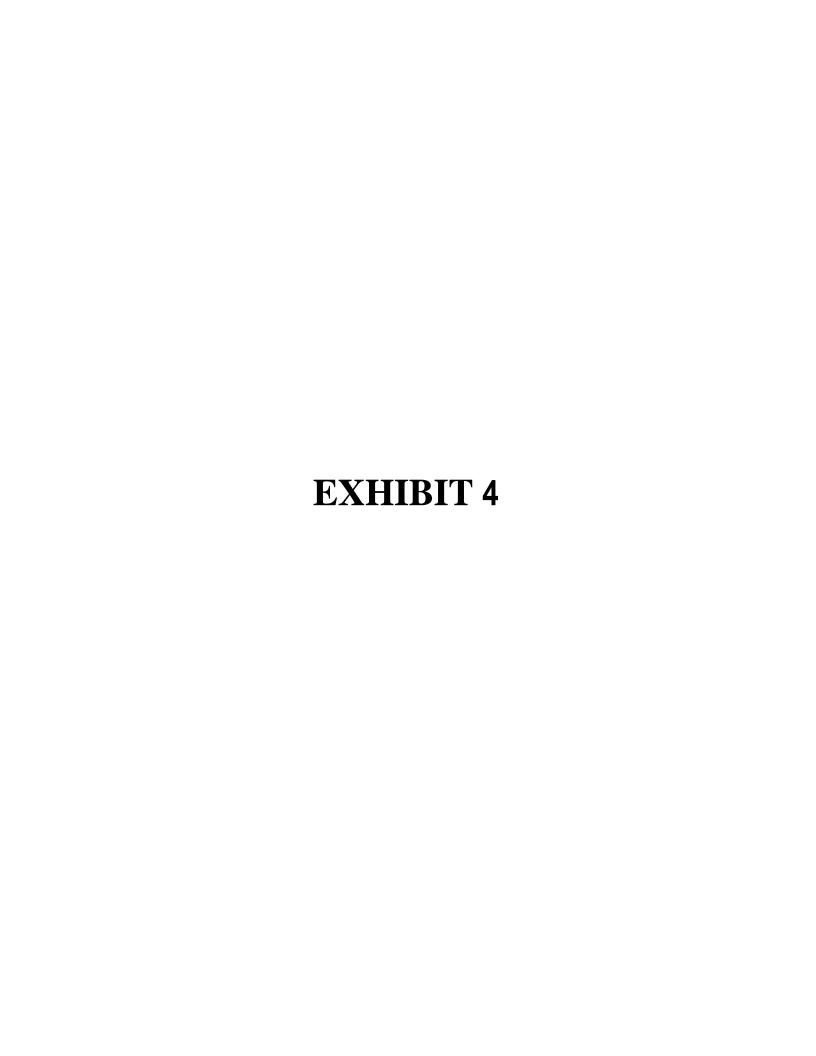
Director, Professional Sales Institute

College of Business
Illinois State University

cc: Dave Durand

Central Region Manager

Sarah Baker Andress Campus Relations Director





October 23,2002

### Dear CUTCO Customer:

As part of our continuing effort to better serve your needs and enhance your experience wi \_\_\_CUTCO, we wou like to invite you to take a few minutes to complete the short survey attached. We are gathering information regarding your most recent purchase experience with us.

All customers who complete the survey and submit it by Tuesday, October 29,2002 will have their name entered into a drawing to win one of our new gift sets. We will award 5 winners the New Party Favorites Gift Set containing the New CUTCO Ice Cream Scoop and Slice n' Serve (retail value \$62.00).

Thank you in advance for your participation.

Sincerely,

Deborah **A.** Keenan Product Marketing Manager Cutco Cutlery Corporation

Please help us evaluate your most recent purchase experience with Cutco Cutlery Corporation.

1.	When you were contacted by phone to schedule an appointment in your home, how would you rate this
	phone call

a.	Courteous	123456 Strongly	7 Strongly
		Disagree	Agree
b.	Professional	123456 Strongly Disagree	7 Strongly Agree
C.		VOLY	7 Very Satisfied

Page 1 of 2

### CUTCO PURCHASE ONLINE SURVEY

2.	How would you rate th	ne sales representative who came to y	our home
a.	Courteous	12456 Strongly Disagree	Strongly Agree
b.	Professional	123456 Strongly Disagree	Strongly Agree
c.	Knowledgeable about	CUTCO products	
		12455 Strongly Disagree	57 Strongly Agree
d.	Attitude	123456 Poor	57 Excellent
ente		one of 5 New Party Favorites Gift S	complete the following information to be lets.
Nan	ne		
Add	lress		
City		State	Zip
E-m	nail		
Pho	ne #		
	Area Code	Phone Number	
DA'	TE INTERVIEW COM	PLETED:	

### Survey Results:

### la. Phone call: Courteous

	TOTAL
Total Answering	422 100.0
1 Strongly disagree	6 1.4
2	2 0.5
3	
4	15 3.6
5	34 8.1
6	88 20.9
7 Strongly agree	277 65.6
Mean	6.4
Standard deviation	1.1
Standard error	0.1

### lb. Phone call: Professional

	TOTAL
Total Answering	422 100.0

1 Strongly disagree	<b>6</b> 1.4
2	1 0.2
3	9 2.1
4	16 3.8
5	58 13.7
6	<b>86</b> 20.4
7 Strongly agree	246 58.3
Mean	6.2
Standard deviation	1.2
Standard error	0.1

### lc. Phone call: Overall Satisfaction with Call

	TOTAL
Total Answering	422 100.0
1 Very dissatisfied	6 1.4
2	3 0.7
3	5

### National Marketing Associates, Inc

Cutco Online Survey
Results as of 10130102 – 9:50 am

	1.2
4	15 3.6
5	42 10.0
6	92 21.8
7 Very satisfied	259 61.4
Mean	6.3
Standard deviation	1.2
Standard error	0.1

### 2a. Sales rep: Courteous

	TOTAL
Total Answering	422 100.0
1 Strongly disagree	6 1.4
2	
3	2 0.5
4	5 1.2
5	21 5.0
6	69

	16.4
7 Strongly agree	319 75.6
Mean	6.6
Standard deviation	0.9
Standard error	0.0

### 2b. Sales rep: Professional

	TOTAL
Total Answering	422 100.0
1 Strongly disagree	4 0.9
2	4 0.9
3	3 0.7
4	16 3.8
5	41 9.1
6	86 20.4
7 Strongly agree	268 63.5
Mean	6.4
Standard deviation	1.1

Standard error

0.1

### 2c. Sales rep: Knowledgeable about CUTCO products

	TOTAL
Total Answering	422 100.0
1 Strongly disagree	4 0.9
2	3 0.7
3	5 1.2
4	16 3.8
5	35 8.3
6	109 25.8
7 Strongly agree	250 59.2
Mean	6.3
Standard deviation	1.1
Standard error	0.1

### 2d. Sales rep: Attitude

	TOTAL	
Total Answering	422 100.0	
1 Poor	2 0.5	
2	2 0.5	
3	1 0.2	
4	9 2.1	
5	16 3.8	
6	56 13.3	
7 Excellent	336 79.6	
Mean	6.7	
Standard deviation	0.8	
Standard error	0.0	